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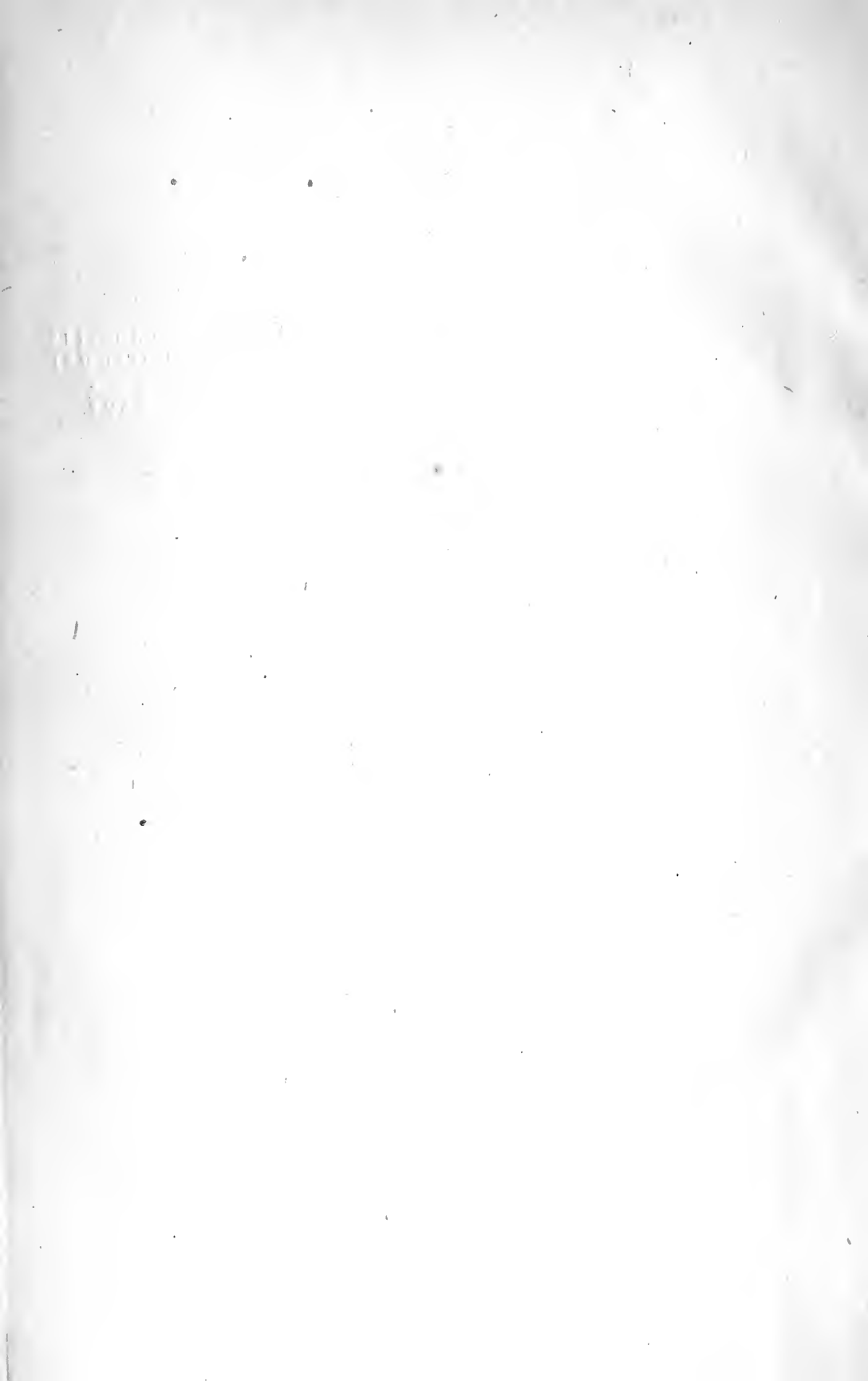
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Addenda to the 35,000 Edition of September 14, 1913.

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DAVID LUBIN

To the Reader.

The publications of the International Institute of Agriculture familiarized the American people with the workings of the European cooperative rural credit systems, and this led to the following events :

First : the Nashville Conference, under the auspices of the Southern Commercial Congress.

Second : the rural credit plank in the platforms of the three political parties during the late presidential campaign.

Third: The instruction to the diplomatic officers in Europe to investigate and report on the subject.

Fourth: the comprehensive report by Ambassador Herrick.

Fifth: the favorable stand taken by Ex-President Taft in his letter to the Governors.

Sixth: the investigation in the European countries by the American Commission and the United States Commission.

Seventh: the stand by President Wilson.

The New York "Evening Post" of August 13th. says: "President Wilson, in a statement issued to day, pledged his administration to secure by legislation a rural credit system for the benefit of the farmers of the United States. The President says:

"There is no subject more important to the welfare of the industrial development of the United States; there is no reform in which I would myself feel it a greater honor or privilege to take part because I should feel that it was a service to the whole country of the first magnitude and significance... This is our next great task and duty."

MIXING OF SYSTEMS.

Pending the report to be made by the American Commission, Senator Fletcher introduced in the Senate a measure (S. 2909,) embracing a plan for local rural banks, State rural banks, and a National Rural Bank of the United States of America.

Shortly after introducing his bill, Senator Fletcher asked me for comments and criticisms on the same. These are contained in my booklet "The Landschaft" of September 14th, to which these pages, covering subsequent correspondence, are an addenda.

In reviewing Senator Fletcher's bill I pointed out, first, that in its provisions it is eclectic, embracing points taken from almost all the rural credit systems of Europe, and, second, that such eclecticism is contrary to the spirit and intent of those systems as shown by their mode of operation in the European countries. The bill, for instance, combines under one system personal credit and land mortgage bond credit, although European experience has shown that such combinations are impracticable.

The next point which presents itself is this: shall the proposed rural banks be mutual banks, farmers cooperative banks, or shall they be profit-earning, joint-stock banks?

It was shown that there are objections to both these alternatives; that farmers, on the one hand, have not the requisite technical, financial experience to run complicated and far-reaching mutual banks; and on the other hand, that joint stock farm mortgage banks for profit present the two following serious objections:

THE NEW TRUST.

First: the danger in attempting to do a land-mortgage business over an extensive area, is aptly pointed out by a former Secretary of the Treasury, who, speaking of the disastrous experience with land-mortgage banks of thirty years ago, says they "became foolish enough to think that they could loan in half a dozen States without being misled by agents". As a result they were compelled to back up their loans by a series of guarantees.

Second: supposing these banks overcome the difficulties in the way, is there not a danger that when once a series of profit-earning mortgage banks would succeed in planting themselves firmly in the field, that they would soon find it profitable to merge their interests under one directorate? And should this take place would not a new trust then be born in the United States fraught with graver menace to the well-being of the American people than any other trust now existing? And if so could it not almost be predicted with certainty that such a trust would, in time, not alone dictate the rate of interest and the conditions of the loan, but would also dictate the price at which the farmer should sell his product? Would not such a trust then be in full control of the economic life of the

American farmer, and ultimately, also of the law-making powers of the nation? These are the dangers to be guarded against.

What the American farmer should have is a real cooperative rural credit system, and I believe the best system for that purpose would be the *Landschaft* as in operation in Germany.

The farmer as borrower through the *Landschaft* is seldom if ever foreclosed, for, though the *Landschaft* has the right to foreclose without recourse to the courts, it is a right which is seldom exercised. Experience in Germany has shown that it is to the interest of the *Landschaft* to aid an unfortunate member with advice, direction, and mutual assistance rather than to foreclose him. But so long as it is to the interest of the profit earning, joint-stock mortgage bank to foreclose would it hesitate to do so promptly?

During the past decade the American farmers have had years of prosperity, and yet the United States Census Report shows that 37 % of the American farms are now worked by renters, and that the increase in tenancy during the past ten years has been at the rate of 16 %. Let the same ratio of decrease in land-owning farmers continue during the next few decades and the American Republic will, in substance, have ceased to exist; it will then exist in name only, in reality it will be dead.

Be it remembered that the factor that makes liberal government possible is the conservative, for he serves as a check on the demands of the radical. It is the middle-path between the radical forces on the one hand, and the conservative forces on the other, which gives, as Confucius says, the golden mean, making liberal government possible. And who is it that does not know that the radical is the urban, the city-man, whether he be laborer or whether he be millionaire?

And the conservative, where is he from? Where but from the country, from the farm; he is the land-owning farmer. This indeed is he; and note well, this farmer, this conservative, is the last to change the style of his garments, the mode of his speech or his line of thought, his belief or his prejudices. But for all that he has his value. His chiefest value consists in just this very conservatism, and it is this conservatism which acts as a brake holding back the urban radical. His service in the body politic can be compared to the service of the governor on a boiler and engine. He regulates the speed and controls the tension.

But when is the rural citizen a conservative? Only so long as he is a land-owner. Transform this land-owning farmer into a renter, and you have transmuted the conservative into a radical.

The adoption in the United States of a cooperative rural credit system would tend to eliminate the renter by winning back to the soil the land-owning farmer, and keeping him there. And it is in the light of what has just been said that we should interpret the motive which prompted the President to utter the pregnant words:

« There is no reform in which I would myself feel it a greater honor or privilege to take part, because I should feel that it was a service to the whole country of the first magnitude and significance... This is our next great task and duty ».

Comments and Criticisms to Senator Fletcher on his Bill, S. 2909.

International Institute of Agriculture,

Rome, Italy, October 7th, 1913

Dear Senator Fletcher :

I am in receipt of your letter of September 15th, asking for further comments and criticisms on the cooperative rural credit measure you have introduced into the Senate (S. 2909).

You say : " The bill which I have introduced is not, as I conceive it, subject to the objections and criticisms offered by you."

A careful reading of your letter gives me the impression that you favor the French rural credit system partly on the ground that as France is a Republic, the Americanisation of the French system would be more acceptable to the American people, than would that of the rural credit systems of monarchic countries.

Let me quote from your letter :

" I have just read the address of Mr. Louis Dop to our Commission. It is very fine, and he certainly presents the French system in a very forcible way. What are your objections to that system ? Wherein do the local societies differ from the Raiffeisen associations, and wherein do the District and Central Banks differ from the Landschaft ? France, being a Republic, and in view of what Mr. Dop says, the French plan and ideas might receive, when adapted and modified to suit our conditions, more favor here than any other. The bill which I have introduced, S. 2909, it seems to me is somewhat Americanising the French system. I would be glad for you to write me fully after you read the bill and also read my speech to the Governors".

TO WHICH SHALL WE GIVE THE PREFERENCE?

Having read the bill and the speech I will now proceed with my comments and criticisms, varying somewhat from the consecutive order in which your questions have been placed.

To begin with, if the French system of local and regional banks you propose would give us better economic results than the German Landschaft, then we should give the preference to the French method. But if the German Landschaft would give the better results, then it should have the preference, for it seems to me that in rural credit systems the comparative value should be determined by the dollar gauge rather than by the political gauge.

I will now try to answer your question as to the differences between the leading systems. According to the " Outline of the European Cooperative Credit Systems," by the International Institute of Agriculture, they are as follows :

First : The Raiffeisen is a system of personal credit for short time loans guaranteed by the collective unlimited liability of all the members.

Second : The Schulze-Delitsche is a personal credit system for short time loans, mainly adapted to urban conditions, with unlimited or limited liability.

Third : The French system of local and regional banks is operated through State aid, and is a system of short time personal credit for farmers, mainly through discounting promissory notes ; also, to a limited extent, for small loans on mortgages.

Fourth : The Landschaft is a system of long term amortisable loans on mortgage security, on which bonds are issued and sold in the open market.

THE WAY TO SAFEGUARD.

In considering the adaptability of these various systems for the United States, we are first of all confronted by a psychic factor which must not be lost sight of. The psychic factor that I refer to is the condition of mind operating in the older and more conservative countries,

in contradistinction to that which operates in newer countries under more liberal forms of government.

Let me illustrate. Given, say, a rural credit system, devised and operated in the older and more conservative countries, and the first thought of the members will be scrupulous attention to carrying out the rules laid down for them; they will be likely to proceed on in their duties along those lines. In newer countries, however, under more liberal forms of government, the first thought is likely to be how to improve on the details and on the system as a whole. Parallel to this thought there will be a searching scrutiny for the weak spots in the system, when the query will present itself to some: "How can we beat the game?" To this some may object by the enquiry: "Are the people of the older and more conservative countries more honest than those of the newer countries under more liberal forms of government?" And the answer is, no, but the average level of intelligence is higher in the newer countries, minds are more active, there is a quicker grasp of the laws of cause and effect, of means to ends, therefore they are more susceptible to avail themselves of opportunities, whether for good or for evil.

Realising all this, the founders of the rural credit systems for the United States should carefully map out the details so as:

First: to necessitate the fewest subsequent changes; the routine duties should be so simple that they can be readily performed by the average farmer;

Second: to ensure that unintentional or intentional departures from the prescribed routine can be so readily detected by all concerned and so promptly counteracted as to render loss from such causes practically impossible;

Third: no room should be left for anyone, no matter how skilful and crafty, to "beat the game".

What way, then, is there to avoid weak spots, to ensure the regulated operation of the prescribed routine, to prevent attempts at "beating the game?"

PUBLICITY ALL ESSENTIAL.

And the answer is obvious: the system should, first of all, be so simple that each detail be clearly understood and easily carried out, but, above all, there should be the widest possible publicity. Take it in the case of the appraisalment of land-values. In Germany these are safeguarded through the control of a government official on the Board of Directors of the *Landschaft*. This official is appointed for life by the King. In addition to this, the other *Landschaft* officials are semi-government employees (see page 41 of the second edition of the "Outline of the European Co-operative Credit Systems" by the International Institute of Agriculture).

In my booklet "The *Landschaft*" (pages 20 and 21) you will see that I have suggested an Interstate Federal Commission as a substitute for this German system of official and semi-official safeguard; but the point that is most insisted on is the need for the widest possible publicity in every stage of the routine. It is therefore proposed:

First - that public hearings be held by the *Landschaft* at which criticism of the values assigned to the lands be publicly given by those who choose to appear;

Second - that the proceedings at these hearings, together with comments and opinions by the public at large, be transmitted to the Interstate Federal Commission, so as to guide and influence its action;

Third - that the Interstate Federal Commission hold public hearings, and that its proceedings and decisions be printed for general distribution.

In the safeguarding functions set forth on page 23 of "The *Landschaft*" booklet, I suggest

that the Interstate Federal Commission hold the Landschaft mortgages in trust, and issue on them the partially filled out bond to be transmitted to the borrowing members through the Landschaft. In this connection the possibility presents itself of following the mode of the Raiffeisen banks in Bohemia, by utilising the post-offices to perform the functions of intermediary clerk and cashier.

Now, to return to your question : « Wherein do the (French) district and central banks differ from the Landschaft ? » The first difference is this: the French district and central banks are of the same type as the Raiffeisen banks ; they are for loans on personal security for small amounts ; they issue no bonds ; whereas the Landschaft is for credit on the security of land ; issuing bonds on land-mortgages, and for amounts up to half of the value of the land assets.

HOW TO CONVERT LAND VALUES INTO LIQUID ASSETS.

The French system is suited to the needs of peasant farmers ; whereas the Landschaft would meet the needs (as in Germany) of land-owning farmers. While there may be some limited need in the United States for loans on personal security, for a system like the Raiffeisen or the French local and district banks, by far the greater need is to render land-values a liquid asset, thereby rendering possible the issuance of bonds on mortgages, as is done under the Landschaft system. Besides, as you know, the French local and regional banks obtain their operating capital through the French government, from the Bank of France, and such a State-aided system is paternalism pure and simple.

Now, when we come to the other form of credit in France, to mortgage credit, we are brought up to the fact that the Crédit Foncier, which provides it, is a profit earning, joint stock mortgage bank. There is nothing of the cooperative principle about it, not any more than in any profit making joint stock bank in the United States at the present time.

IT WOULD STILL MISS THE PURPOSE.

« But », you may ask, » if the Crédit Foncier provides mortgage credit in France, why would not such a bank do so in the United States ? » And the answer is that even if it would, it would still miss the purpose ; the purpose which can be met by the cooperative Landschaft system, as shown by the following :

First : the joint stock mortgage bank is simply a toll-gatherer ; it gathers money from the public and lends it out at interest. It lives largely on the difference between the rate it pays the public and the rate it charges its borrowers. Whereas, through the Landschaft the farmers would obtain the money they require, as in Germany, at first hand, from the public direct.

Second : while on the one hand, it is in the interest of the joint stock bank to foreclose mortgages, thus tending toward the elimination of the land-owning farmer ; on the other hand, it is in the interest of the Landschaft to save its members from foreclosures, thus conserving the land-owning farmer.

Third : dealing as it does with the individual farmer, the joint stock bank does not tend to the upbuilding of cooperative effort ; whereas the Landschaft would be the first step towards rendering cooperation in production and distribution economically effective.

Summarising, the case stands as follows : you favor the French system, but we find that there are two kinds of systems in France. One is an adaptation of the Raiffeisen system for personal credit, for which the Bank of France (a joint stock bank) is required by the French Government to provide the working capital ; the other is the Crédit Foncier, a joint stock bank ;

which furnishes mortgage credit. The first system is financed through pure paternalism, and would be impossible in the United States, and even if possible, such a personal credit system would not be nearly as economically effective as the Landschaft, which presents no such objections.

As for the Crédit Foncier, that is not cooperative at all; it is merely a joint stock bank lending money to individual farmers, as any joint stock bank in the United States may now do.

Now, in your proposal you seem to have combined the features of both these French systems, the personal credit and the mortgage credit, in such a way as to involve a complicated banking system, requiring high technical skill to carry it out; whereas the Landschaft offers a simple working system for the effective attainment of economic results much needed in the United States.

THE POLITICAL VALUE OF THE LANDSCHAFT.

In conclusion, let me quote from my letter of October 2nd to Mr. Charles K. McClatchy of the Sacramento « Bee ».

« On the face of it, it may seem that the Landschaft is merely a system for aiding the farmer to get a loan in a simpler manner and on better terms than he can get it now. But, on closer scrutiny, it will be found that the Landschaft means much more than that. It not alone means the conservation of the farmer, the land-owning farmer, but it means the conservation, through him, of the American Republic. The day before yesterday, while President Wheeler, of the California University, was going over this subject with me in the American Room in the Institute, he referred to the prosperous condition of the American farmer, especially of recent years; but when I drew his attention to the facts set forth by the United States Bureau of the Census, showing that the tenant farmers of the United States now form 37 % of the total number of American farmers, that the increase in their number during the past decade was 16%, it set him to thinking seriously. Just let the renters multiply at the same ratio for the next few decades, and we shall have this new world phenomenon: on the one hand, Ireland, now being freed from tenancy, will rise from the lowest economic and political level to the normal line on which free men should stand, and, on the other, the United States, as the result of the continued increase of tenancy, will descend from the highest level downwards, when the American people will receive the reward of those who sell their birth-right for a mess of pottage. »

Rome, Italy, October 16th, 1913.

You inform me in your letter of September 23rd, that there was a meeting of the United States Commission at which were present Dr. Butterfield, Dr. Coulter, Congressman Moss and yourself, and that you placed my communications before them.

In regard to my proposal, as set forth on pages 20 and 21 of the "Landschaft" booklet, on the matter of the appraisalment of land-values, you say:

"All of us, I think, agree that your method of arriving at the valuation of the property mortgaged would scarcely be workable. Borrowers would not like to have their property posted and displayed, and its value subject to criticism by any one in the community, and so much publicity given to their private affairs."

IS THE OBJECTION VALID?

I do not think this objection is either valid or final, for, in the first place, the very foundation for the security of the French system, which your bill embodies, indeed of any and all the cooperative credit systems, is the most thorough-going publicity on the loans within the limited sphere of their operation.

Take it even at the present time, before a farmer can obtain a loan on a mortgage he must submit all questions concerning his land to the fullest scrutiny on the part of the lender, and the mortgage is then entered on the public records. This is surely publicity.

"But," you will say, this is limited publicity, and what is set forth on pages 20 and 21 of the *Landschaft* booklet is unlimited publicity; it is, as it were, publicity to the whole world, and constant publicity too, so long as the mortgage is in force."

Yes, that is correct; but, in the case of a loan made by the local money-lender, there is, as it were, a monopoly of knowledge; the monopolist in this case being the money-lender; and what is the result? Clearly this; that the borrower, the farmer, must accept the terms and conditions of this monopolist or go without the loan. He is in the position of a purchaser compelled to buy on credit, and from the only store that will give him credit. In such a case competition does not enter into the matter at all. Whereas in the *Landschaft*, under the general publicity as proposed, there would be many competitors to furnish the loan, and not alone willing but eager to do so.

Now, as these competitors would come from all parts of the country, the result would be that the farmer, as in Germany under the *Landschaft*, would obtain his money at from 3 to 5 percent, and for as many years as he would wish. And, mind, the interest he would pay, being on the amortisation plan, would, at the same time, free him from his debt.

Of course farmer A would have the right to object to the publicity which all this would involve by remaining outside the *Landschaft*. But as soon as he would see farmers B, C, D, E, and F getting their money on the *Landschaft* plan, as soon as he would see the benefits accruing to them therefrom, he would be likely to waive his scruples as to publicity, and clamor to be admitted to the *Landschaft*. What I state here is by no means simple theory; it is hard fact as shown by the operation of the *Landschaft* during the past 150 years in Germany.

SHIFTING THE BASIS OF SECURITY.

Were we to attempt other means of establishing land-values than this proposed general and constant publicity, we would be driven to rely for the safety of the bonds on a series of artificial guarantees; and the statement by Geo. K. Holmes, of the United States Department of Agriculture (see page 21 of the "*Landschaft*" booklet) fully confirms the fact that such guarantees in the land-mortgage bank movement of 30 years ago were a delusion and led to widespread ruin.

The fundamental defect of a proposal providing for guarantees is that it shifts the question of security from the intrinsic value of the land to the intrinsic value of the guarantor. While such a system of guarantees may be effectively applied to county or municipal bonds, or to bonds of a railway line or a great industrial plant, it can not be effectively applied to land values in heterogeneous localities. The German *Landschaft* system has no such defect. There, as is here proposed, the security behind the bond is the value of the land itself, ascertained in such wise as to leave no doubt in the mind of anyone, anywhere, as to the validity of the valuation.

Before proceeding further, I deem it important to refer to your combination of the personal credit and the land mortgage bond system. You propose in your bill that these two forms of credit should be combined in your rural banks, perhaps as different departments, but still as parts of the same system. I think this would be a mistake. In my letter of October 8th to Dr. Owens, pertinent to this question, I said :

“ There is one point that I would like to emphasise, and that is the need, as shown by European experience, for keeping apart, in any system that may be framed, the two forms of credit, the personal security credit and the land mortgage bond credit. You cannot have a little of the Raiffeisen and a little of the Landschaft mixed together. They will not mix any more than oil and water. There is room in the United States for both, but I should say that the proportion would be about as follows : 10 % for the Raiffeisen or its derivatives, and 90 % for the Landschaft ”.

MORTGAGE BANKS VERSUS THE LANDSCHAFT.

And now for another point ; you put forward the question whether “ the plan of the mortgage banks, after all, may not prove the most feasible plan through which a system of rural credits can be established in this country ”.

I do not think so. If the satisfactory working of the land-mortgage banks in Germany and France is quoted as an example, we must bear in mind that they are satisfactory there for two reasons :

First : in Germany their rates are governed by the competition of the great farmers' cooperative credit associations.

Second : the land mortgage bank of France, the *Crédit Foncier*, in return for the monopoly of the land-mortgage business granted it by the Government, may only charge the farmer a rate of interest on mortgages fixed by national law.

These two actuating features secure the satisfactory working of these mortgage banks so far as the farmers are concerned. But to build up in the United States a number of heterogeneous mortgage banks in various localities, without the competition of the cooperative associations, would but create a number of local monopolies, whilst a system of centralised mortgage banks would be likely to drift toward the vortex of ruin.

This is clearly shown by Mr. L. M. Shaw, Secretary of the Treasury under President McKinley, from whom I have previously quoted, who points out that in the disastrous land-mortgage bank movement of thirty years ago, centralised mortgage banks, or mortgage banks doing business over a wide area, were largely compelled to rely on indirect information in the matter of the value of appraisements, and that in floating their bonds they had to back them up by a series of guarantees, and when the day of reckoning came they were one and all found wanting.

THE FINDINGS.

And what conclusion does all this bring us to ?

We find that mortgage banks, if uncentralised would be inadequate, and if centralised would be dangerous.

We find that personal credit and land-mortgage credit cannot be blended into one system with safety or with profit.

We find that if we are to proceed ahead with the establishment of cooperative rural credits, unaided by national subsidy and unaided by national guarantee, we must have the *Landschaft* system.

We find if there is to be a Landschaft system, whereby land mortgages in given localities, in given States, are to be converted into long term bonds, to be sold in the various parts of the United States, and to be bought as an investment for trust funds, for the funds of widows and orphans, that this may only be done when safeguarded by national law and placed under national supervision.

But will not the Landschaft be opposed by the banking interests ? Before a correct answer can be given to this question we should define what is meant by "the banking interests." In the first place, the bankers of America are not a homogeneous body. There are, on the one hand, bankers who are struggling to accumulate, and, on the other hand, bankers who have already made their accumulations. It is from among the first subdivision that the opposing force may be expected, for they will fear entrenchments upon their profit earning domain by the cooperative farmers' Landschaft. But no opposition need be feared from the second subdivision of the banking interests, from the bankers who have the accumulations. Their keen business insight will, on the contrary, prompt them to aid the Landschaft movement, for they understand that the prosperous stability of the American farmer is the safest guarantee for persistence in the value of their holdings; they will realise that the upbuilding of the Landschaft will act as an effective insurance for the maintenance of their interests.

NATIONAL LAW AND STATE LAW.

Your two main objections to the adaptation of the Landschaft in the United States would however, seem to be the following:

(1) To permit its operation under national law there would have to be concurrent and uniform State laws;

(2) As the Federal Government cannot compel the States to enact such laws there can therefore be no Landschaft under national law.

Now, if these objections are valid against the Landschaft it would seem to me that they would also be valid against the local national rural banks, the State national rural banks, and the National Rural Bank of the United States of America, as proposed in your bill. But I believe your contention is not valid so far as the Landschaft is concerned. I agree with you that the Federal Government cannot compel the States to enact laws, but no such compulsion was contemplated.

The proposal is that the Federal Government enact laws permitting the establishment of Landschafts, under charters which it is to issue, all subject to certain stipulations and conditions.

When this is done, it will then be incumbent on those States in which Landschafts are wanted to enact such legislation as may entitle the farmers to obtain from the national government the charters requisite for going ahead. In other words, the State in which no Landschaft would be wanted, would have no need to legislate for one; but the State in which a Landschaft would be wanted would enact laws enabling the cooperative groups of farmers composing the Landschaft, to comply with the stipulations and conditions for proceeding on.

How would this operate ? Let us see.

Say the Federal government has enacted its laws; that would be sufficient notice for the States to proceed ahead. But supposing that no State proceeded ahead ? Well, in that event, there would be no Landschaft. But supposing one State did proceed on and enacted the requisite concurrent legislation, supposing it were Iowa ? Well, if the Landschaft were to prove of the economic value to Iowa that it is claimed that it would, it would not be long before, say, Wisconsin, would follow suit; and so on all along the line.

It will thus be seen that there would be no compulsion or coercion in the matter ; all that the Federal Government would do would be to render possible the Landschaft in those States that wish for it.

HOW TO GIVE DYNAMIC VALUE TO STATIC ASSETS.

But why the need for national law ?

Because it is proposed, through the Landschaft, to convert the farmers' static land assets, in any given locality, into a dynamic asset in the form of a negotiable bond. If (through publicity given the land values as proposed in the Landschaft booklet, pages 20 and 21) this bond be rendered an unquestionable security, everywhere, and at any time, and if it be readily transferable from hand to hand, it will then sell as high and at as low a rate of interest as Government bonds. But this may only be done by placing the Landschaft under national law for the purpose of safeguarding its operations. You understand, of course, that in all this the Federal Government is not to be held financially responsible, is not to guarantee, it is simply to safeguard.

As you know, I am but repeating here what I have already set forth many times. But in saying this I would not have you understand that I am getting impatient. I fully realise that it takes time and patience to change opinions. I can see that you now have a far clearer and more comprehensive view of the Landschaft than you had a few months ago, and I feel convinced that it is only a question of time when you will agree with me in this : that if there is to be co-operative credit for the American farmer and in the interest of the American farmer, it must be had through the Landschaft system pure and simple. That system can be made to provide not merely for long time mortgage credit, but, as you will have seen from pages 23 and 24 of my booklet, it can also be made to provide for short time and for open account credit.

Close study will, I believe, show that the Landschaft is absolutely the safest and simplest and most advantageous form of co-operative credit that can be devised for the American farmer. The moment you step outside of this system, the moment you have the farmer enter the arena of banking, the moment you set up the local, the State and the National rural bank as proposed in your bill, that moment you enter the domain of hazard. You enter the stagnant swamps of guarantee regions; guarantees here, guarantees there, guarantees everywhere, but security nowhere.

And right here you ask, how can the Landschaft be had when in some "States the law requires that the mortgage will have to be foreclosed by suit brought by a bill in equity, where a decree is finally entered, and a master is appointed to ascertain the amount due, and given the power to advertise the property for thirty days, and sell it at a public sale the first Monday in the month, and then report the sale, and have it confirmed, and after its confirmation the master makes a deed to the purchaser, all of which takes from three to six months time, whilst in other States a similar procedure is required, and then the law provides that the mortgagor will have one year in which, after the sale is made, to pay up the debt and redeem his land" ?

And then you proceed to answer thus :

"It is impossible for any Federal law to alter or change these State laws or rules of procedure".

THE LAW AND THE PATH.

But is this answer final and conclusive ? By no means, for you will see from what I have already said in this letter that there is no call for the Federal law to do anything of the kind. If a State wishes to persist under laws which are antiquated and subversive of its best economic interests, it has the right to do so. And so long as such laws are in force they must be obeyed. But there is no law which says that the law may not be changed, and so long as this is the case,

and so long as each State has a legislature for the purpose of modifying and changing its laws, so long does that set aside the conclusion you have arrived at. Let the federal laws but lead the way and action in the States will follow.

The very genius of the American people is centered in this : that the ideal is ever to the fore, the eternal target at which we should aim. And the very life of the American people is involved in the persistent struggle to reach this ideal. It is this struggle which makes for freedom, which evolves progress.

And so, my dear Senator, we need have no fear of antiquated laws standing in the way when once it is made clear that they obstruct the path. Let it be clearly perceived that the Landschaft is on the line not merely of economic advantage but also of political advantage ; that it is free from admixture with the baser forms of socialism and populism ; that it is on lines true to the American ideal ; and it will be accepted by the American people as the path to travel on.

Yours very sincerely,

DAVID LUBIN,

Delegate of the United States,

International Institute of Agriculture, Rome, Italy.

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